

DRAFT**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA****Telecommunications Division
Public Programs Branch*****RESOLUTION T-16701
December 5, 2002****RESOLUTION**

RESOLUTION T-16701. REVISION OF FISCAL YEAR 2002-2003
BUDGET AND SURCHARGE RATE FOR THE CALIFORNIA HIGH
COST FUND-A ADMINISTRATIVE COMMITTEE FUND ADOPTED
IN RESOLUTION T-16550

Summary

This resolution approves a revised budget of \$40,382,087 for fiscal year (FY) 2002-03 for the CHCF-A program based on the program budget adopted in the State Budget Act. This resolution also maintains the current surcharge rate of 0.36% effective July 1, 2002 for the CHCF-A Administrative Committee Fund until further revised by the Commission.

Background

On October 25, 2001, the California Public Utilities Commission (CPUC) in Resolution T-16550, adopted a budget of \$53,077,950 for Fiscal Year (FY) 2002-03 for the California High Cost Fund - A (CHCF-A) Administrative Committee (AC) Fund as summarized in the following tabulation:

	Resolution T-16550
Claim Payments	\$41,720,350
AB 140	10,000,000
Audits	1,110,000
Banking Fees	18,000
Committee Expenses	8,600
Admin Staff	221,000
Other Expenses	<u>0</u>
Total	\$53,077,950

Resolution T-16550 also adopted a surcharge rate of 0.36% effective July 1, 2002 for FY 2002-03 until revised by the Commission. This surcharge rate was developed based on a projected fund balance available for program purposes of \$3,568,692 as of July 1, 2002, a projected total telecommunications billing subject to surcharge of \$15.873 billion, and approximately \$6.046 million fund balance at the end of the fiscal year, June 30, 2003.

Discussion

In this Resolution, the Commission adopts the following:

- The revised CHCF-A program budget for FY 2002-03 in the amount of \$40,382,087.
- The maintenance of the existing surcharge rate of 0.36% until further revised by the Commission.

The approved State Budget, as enacted in Chapter 379 Statutes 2002 (2002 Budget Act), appropriates the amount of \$42.998 million for the CHCF-A for FY 2002-03, which excludes the \$10 million rural telecommunications infrastructure funding as mandated by AB 140.

The State Budget Act also required the transfer of \$27.200 million from the CHCF-A fund to the State General Fund for FY 2002-03.

The State Budget for the CHCF-A program also reduced the allocation for Administrative Staff expenses from \$221,000 in the Commission adopted Budget to \$141,000.

These developments require the Commission to revisit the Commission adopted FY 2002-03 program budget and align it with the State approved budget of \$42.998 million.

Based on the telecommunications surcharge revenue remittances for the past fiscal year 2001-02 and the forecast of such surcharge revenue remittances for FY 2002-03, the estimated intrastate billings subject to surcharge are estimated to be \$18.000 billion for FY 2002-03.

The CHCF-A revised budget for FY 2002-03 also takes into account the approved CHCF-A draws by the small Local Exchange Carriers for CY 2002 as adopted in Resolution T-16619.

The existing CHCF-A surcharge rate of 0.36% is maintained until further revised by the Commission. The surcharge rate of 0.36% will be sufficient to generate funds to cover

the transfer of \$27.200 million to the General Fund, fund program expenses of \$40,382,087 and leave an estimated balance of \$5,797,402 on June 30, 2003.

A summary of the budget as adopted in Resolution T-16550 and the proposed revised budget is shown below:

	Resolution T-16550	Increase / Decrease	2002-03 State Budget Act	Proposed Revised Budget for FY 2002-03
Claim Payments	\$41,720,350	(\$2,734,113)		\$38,986,237
AB 140	10,000,000	(10,000,000)		0
Audits	1,110,000	100,000		1,200,000
Banking Fees	18,000	8,250		26,250
Committee Expenses	8,600	0		8,600
Admin/ Staff	221,000	(80,000)	\$141,000	141,000
Other Expenses	0	20,000		20,000
Total	\$53,077,950	(\$12,685,683)	*\$42,997,997	\$40,382,087

- 2002-03 Budget Act adopts the administrative/staffing cost of \$141,000 and total amount of \$42,997,997

Comments

In compliance with PU Code § 311 (g), the draft of this Resolution was mailed on November 5, 2002 to the 17 small LECs, the CHCF-AC, the parties of record in R01-08-002 and the parties on the service list of A99-09-044. A copy of the cover letter of this mailing was also sent to each of the Commission certificated telecommunications carriers informing parties that this draft resolution is available at the Commission's website www.cpuc.ca.gov/static/industry/telco/resolutions/index.htm, and is available for public comment. In addition, the Telecommunications Division (TD) informed these parties of the availability of the conformed resolution at the same website.

TD received no comments on this resolution.

Findings

1. On October 25, 2001, the California Public Utilities Commission approved Resolution T-16550 adopting a California High Cost Fund-A (CHCF-A) Administrative Committee Fund Budget of \$53,077,950 for Fiscal Year (FY) 2002-03 and a surcharge rate of 0.36% effective July 1, 2002 until further revised by the Commission.

2. Chapter 379 Statutes 2002 (2002 Budget Act) appropriates the amount of \$42.998 million for the CHCF-A.

3. The State Budget Act also required the transfer of \$27.200 million from the CHCF-A fund to the State General Fund for FY 2002-03.
4. The State Budget also reduced the allocation for Administrative Staff expenses from the \$221,000 in the Commission adopted Budget to \$141,000.
5. The approved \$42.998 million CHCF-A State Budget does not include the \$10 million allocation for grants for rural telecommunications infrastructure.
6. These developments require the Commission to revisit the adopted FY 2002-03 budget and align it with the State approved budget for the CHCF-A.
7. Based on the average reported telecommunications revenues subject to surcharges in recent months annualized and the forecast of such surcharge remittance revenues, the estimated intrastate billings subject to surcharge are estimated to be \$18,000 million for FY 2002-03.
8. The CHCF-A revised budget for FY 2002-03 considers the approved CHCF-A draws by the small Local Exchange Carriers for CY 2002 as adopted in Resolution T-16619.
9. The revised CHCF-A program budget for FY 2002-03 in the amount of \$40,382,087 is reasonable and should be adopted.
10. The existing surcharge rate of 0.36% should remain in effect until further revised by the Commission.
11. The draft of this resolution was mailed to the 17 small Local Exchange Carriers (LECs), the CHCF-AC, the parties of record in R01-08-002 and the parties on the service list of A99-09-044 on November 5, 2002. A copy of the cover letter of that mailing was also sent to each of the Commission certificated telecommunications carriers advising them of the availability of this draft resolution and the conformed resolution, when adopted by the Commission on the Commission's web site.
12. The Telecommunications Division received no comments on this resolution.

THEREFORE, IT IS ORDERED that:

1. The revised budget for the California High Cost Fund-A (CHCF-A) for Fiscal Year 2002-03 of \$40,382,087, as set forth in Appendix A of this resolution, is adopted.

2. A surcharge level of 0.36% shall remain in effect until further revised by the Commission.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 5, 2002. The following Commissioners approved it:

WESLEY M. FRANKLIN
Executive Director

APPENDIX A
CALIFORNIA HIGH COST FUND A ADMINISTRATIVE COMMITTEE FUND
PROGRAM BUDGET FOR FY 2002-03

	<u>ADOPTED</u> <u>FY 2002-03¹</u> <u>(A)</u>	<u>REVISED</u> <u>FY 2002-03</u> <u>(B)</u>	<u>ADOPTED</u> <u>FY 2002-03</u> <u>(C)</u>
1 BEGINNING BALANCE²	\$3,568,692	\$11,141,001	\$11,141,001
FUND TRANSFER TO GENERAL FUND³	0	27,200,000	27,200,000
REVISED BEGINNING BALANCE⁴	3,568,692	(16,058,999)	(16,058,999)
REVENUES			
2 PROJECTED BILLING BASE ⁵	15,873,000,000	18,000,000,000	18,000,000,000
3 SURCHARGE RATE ⁶	0.36%	0.35%	0.35%
4 SURCHARGE REVENUE ⁷	55,555,500	61,936,500	61,936,500
OTHER INCOME			
5 INVESTMENT INCOME ⁸	0	301,988	301,988
6 INTEREST	0	0	0
7 PENALTY	0	0	0
8 TOTAL OTHER INCOME	0	301,988	301,988
9 TOTAL REVENUE	59,124,192	62,238,488	62,238,488
PROGRAM EXPENSE			
10 CLAIM PAYMENTS ⁹	41,720,350	38,980,080	38,980,080
10a INTEREST PAYMENTS ON CARRIER CLAIMS ¹⁰	0	6,157	6,157
11 AB140 ¹¹	<u>10,000,000</u>	<u>0</u>	<u>0</u>
12 TOTAL PROGRAM EXPENSES	51,720,349.92	38,986,237	38,986,237
AUDITS			
13 FINANCIAL AUDIT	10,000	100,000	100,000
14 COMPLIANCE AUDIT	500,000	500,000	500,000
15 SURCHARGE REMITTANCE AUDIT	600,000	600,000	600,000
16 CLAIMS AUDIT	0	0	0
17 TOTAL AUDITS	1,110,000	1,200,000	1,200,000
BANKING FEES¹²			
18 LOCKBOX	18,000	16,950	16,950
19 TRUST/ZERO-BASED ACCOUNT	0	<u>9,300</u>	<u>9,300</u>
20 TOTAL BANKING FEES	18,000	26,250	26,250
COMMITTEE EXPENSES¹³			
21 PER DIEM	3,600	3,600	3,600
22 TRAVEL & OTHER EXPENSES	5,000	5,000	5,000
23 OTHER COSTS	0	0	0
24 TOTAL COMMITTEE EXPENSES	8,600	8,600	8,600
ADMIN/STAFF			
25 FISCAL OFFICE STAFF ¹⁴	151,000	141,000	141,000
26 TELECOM DIVISION STAFF	0	0	0
27 SB 669 INTERAGENCY COSTS	<u>70,000</u>	<u>0</u>	<u>0</u>
28 TOTAL ADMIN/STAFF	221,000	141,000	141,000
OTHER COSTS¹⁵			
29 PROGRAMMING CONSULTANT	0	20,000	20,000
30 ELECTRONIC STORAGE OF DOCUMENTS	0	0	0
31 TOTAL OTHER COSTS	0	20,000	20,000
34 TOTAL PROGRAM EXPENSES	53,077,950	40,382,087	40,382,087
35 PROJECTED ENDING BALANCE	\$6,046,242	\$5,797,402	\$5,797,402

- 1 Fiscal Year 2002-03 budget was adopted by the Commission in Resolution T-16550.
- 2 Fund balance as of 7/1/02 is \$14,278,442.90. The fund balance is reduced by \$3.137 million to reflect amounts owed including interest for FY 2001-02.
- 3, 4 The amount to be transferred to the General Fund is in accordance with Chapter 379 Statutes 2002 (2002 Budget Act). \$27.20 million will be transferred to the General Fund within the Fiscal Year in six installments.
- 5 The FY 2002-03 billing base is adjusted to \$18.000 billion based on the telecommunications surcharge revenue remittances for the past fiscal year and the forecast of surcharge remittances for FY 2002-03.
- 6 The weighted surcharge rate is 0.35% for FY 2002-03. Effective July 1, 2002, the surcharge rate is 0.36%.
- 7 Actual remittance of the surcharge revenues is expected 40 days from the effective date of the new surcharge rate. Thus, Line 2 times line 3 is not equal to Line 4.
- 8 Projected annual interest income is computed at 4.5% and realized every 6 months.
- 9 CHCF-A 2002 support was adopted by the Commission in Resolution T-16619.
- 10 Decision 01-09-064 orders the payment of interest based on the 3 month commercial paper rate.
- 11 Although this was included in the Commission's Adopted Budget for FY 2002-03, the Budget Act does not include any appropriation for this item for FY 2002-03.
- 12 Starting November 2002, the trust account is converted to a zero based account to comply with State Treasury requirements. A post office fee for the lockbox of \$750 is payable each fiscal year.
- 13 Pursuant to D.02-04-059, the per diem and other costs are authorized for one committee member's attendance in the CHCF-A Administrative Committee meeting. It is assumed that there will be 12 meetings a year.
- 14 The State budget appropriated only \$141,000 for Admin/Staff Costs.
- 15 This represents costs for programming and maintaining the electronic filing system and storage of files into electronic format.